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1965 AGRICULTURAL OUTLOOK INDICATES FURTHER GROWTH

Continued economic expansion, rising consumer incomes, and population growth will combine to increase domestic demand for farm production in 1965. Gains in disposable income and expenditures for food may not equal the very large gains of 1964, but nevertheless add up to a large and expanded domestic market for farm products.

Per capita food consumption in 1965 is expected to stabilize near the high level attained in the previous year. Not much change is expected in the consumption of foods from animal products—further increases in beef, veal, and perhaps turkey will be about offset by declines for pork, lamb, and animal fat.

The only important change foreseen in the consumption of crop products will be a substantial increase for fruits, resulting primarily from recovery in production in citrus fruits. Total food consumption is expected to increase about in line with the rise in population.

Retail food prices, which are averaging slightly more than 1 percent above 1963, are expected to show only a small increase in 1965. The upward pressure on food prices from fruits and vegetables that has been present during

the past 2 years is not likely to be repeated in 1965. The continued high demand for animal products is expected to hold average prices for meat near current levels though some increases are expected for pork and lamb.

The marketing bill for domestic farm food products has increased each year since 1950, mainly from rising costs of goods and services bought by marketing firms and steady growth in the volume of products marketed. Another increase is in prospect for 1965.

Another big year is in prospect for exports of farm products. The year ending June 30, 1965, may total only slightly less than the alltime record of $6.1 billion of the previous year.

On the domestic supply side of the situation it is expected that U.S. production of both livestock products and crops is likely to show a small increase in 1965. Beef production is expected to increase again, but more slowly than in 1964. Small gains are also expected for dairy and poultry products, but hog production is expected to drop.

Carryover stocks of cotton and burley and flue-cured tobacco are expected to increase again in the 1964–65 marketing year. Little change is indicated for stocks of wheat and dairy products in 1965, but reduced production of feed grains will probably result in a smaller carryover.

It is not expected that the likely increase in total farm output in 1965 will have a very large effect on prices received by farmers. Average livestock product prices are not expected to change much. Cattle prices may be well maintained with the small gain in slaughter now in prospect. Hog and lamb prices are expected to increase in response to smaller production, though prices for some poultry products may drift down further as output rises.

Farm production expenses may show a smaller than average increase in 1965. Expenditures for a number of important production items, such as feed, livestock, and fertilizer, are expected to increase. This will also be true for overhead costs, such as depreciation charges, taxes, and interest. But these increases probably will be partially offset by a further drop in the use of hired labor.

The upward trend in farm equities is expected to continue in 1965 as rising land values will enlarge the value of farm assets by amounts considerably greater than the increase in farm debts.

The likelihood of higher income per farm and higher income per capita of persons living on farms in 1965, would also mean continued advance in the level of farm family living in line with trends over the last 8 or 10 years.

The farm income outlook, taken by itself, is one of continued stability. This, however, should not be allowed to obscure the fact that dynamic changes are taking place in American agriculture and that critical unsolved problems remain.

Although farms will continue to enjoy expanding domestic and foreign markets, agricultural efficiency is still increasing and more than 55 million acres have been withdrawn from production because of the Soil Bank and Acreage Diversion programs.

An increased proportion of total output is being accounted for by larger farms and fewer farmers. The rapid movement out of agriculture continues, but the gap between the high-income farmer and the low-income farmer is probably widening. There has been real economic progress in the commercial farming sector, even though there is a continuing struggle to achieve a satisfactory supply-demand balance.

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THE 1965 DAIRY OUTLOOK—

Income and Price Steady, Marketings Up

Dairy farm income from marketings of milk and cream in 1965 is likely to maintain or exceed the 1964 prospective record level of nearly $5 billion. Farm marketings of milk and cream in 1965 probably will rise less than this year's 1.5 billion pounds of milk equivalent, and prices are expected to be about the same as in 1964.

The commercial market for dairy products has kept pace with the increases in marketings, and as a result the surplus products removed from the market by USDA programs in 1965 will be about 8 billion pounds, roughly the same as in 1964. Strong foreign demand, with continuing domestic prosperity, is likely to maintain a strong commercial market for dairy products during 1965. Therefore, in spite of increased marketings from farms, prices are likely to remain near the 1964 level, about $4.15 per 100 pounds average for all wholesale milk, and slightly above $3.25 for manufacturing grade milk.

The continuing movement of surplus products into domestic and foreign channels has reduced stocks of dairy products so that those remaining at the beginning of 1965 will be only about the minimum required for commercial and CCC operations.

Milk production in 1965 will probably be about the same as in 1964—125.7 billion pounds. Assuming average weather conditions, production per cow will set another record high, and the number of milk cows may not decline as much as in 1964.

The downtrend in the number of milk cows on farms, dating back to 1944, continues in 1964 and may slow only slightly in 1965. Costs of producing milk are rising, and average prices received by farmers during 1965 may remain near year-earlier levels. Supplies of roughage for winter feeding are forecast below a year ago. Therefore herd culling in the fourth quarter of 1964 probably will equal or exceed the heavy rate of a year earlier. Even if the market for cull cows for slaughter should continue a little below the postwar average, dairymen again are expected to cull their herds at near average rates.

The number of milk cows on farms in the United States has fallen an average of 2 percent per year since the peak year of 1944. The only year in this period without a drop was 1953. On June 1, 1964, there were 16.1 million milk cows on farms compared with an average of 19.3 million for 1953–62.

The drop in the number of dairy cows is related to the declining number of farms with milk cows. Between 1950 and 1959 the number of farms with milk cows decreased about 50 percent.

In 1959 only 48 percent of all farms had milk cows, compared with 68 percent in 1950. Most farms leaving dairying are those with small sideline dairy enterprises, or those with cows kept primarily for milk for home consumption. Therefore, the average number of milk cows per farm has increased substantially—from 4.6 cows in 1930 to 9.2 in 1959. Census data indicates that the number of dairy farms with 30 or more cows is increasing.

Milk production per cow is likely to surpass 8,000 pounds in 1965. Production per cow is expected to be more than 7,800 pounds in 1964, up 3½ percent from the previous year. Except for the World War II period, output has increased consistently since 1934.

Civilian use of milk in 1964 is expected to be about 1.5 billion pounds above the 117.1 billion pounds of milk equivalent consumed in 1963. Total civilian disappearance of milk and dairy products in 1965 is likely to be only slightly higher than in 1964.

Anthony G. Mathis
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FEED GRAIN SUPPLY SMALLER . . .

Both Use and Carryover to Drop

Based on November 1 indications, the 1964–65 feed grain supply is expected to total about 206 million tons, 15 million less than in the previous season and 13 million below the 1958–62 average. The 1964 crop of an estimated 136 million tons is down 13 percent from the last year's crop and 7 percent less than average.

Smaller production this year results from lower acreage and yields. The planted acreage of each feed grain was reduced from last year—corn was down 4 percent; oats, 7 percent; barley, 11 percent; and sorghums, 4 percent. The acreage to be harvested is estimated to be 6 million less than in 1963, and yields are down 8 percent from the record high last year, the first decline since 1954.

Domestic use of feed grains has declined during the past 2 years, after the sharp rise from 1956–57 to 1961–62. In 1963–64, domestic use was 133 million tons, slightly less than the year before. Exports, however, increased nearly 2 million tons to a record high of 18.7 million tons, bringing total utilization to 152 million tons.

Based on current prospects, 1964–65 domestic use is expected to decline slightly and exports may equal the 18.7 million tons of 1963–64. This would mean the carryover into 1965–66 would be reduced to approximately 58 million tons, 11 million below the carryover into 1964–65.

The supply of feed grains and other concentrates from 1964–65 is estimated at 239 million tons, on the basis of November 1 indications—13 million below a year earlier. Feed concentrate supplies increased steadily from 1952 to 1960 but have declined in the past 4 years. This year they are the smallest since 1958–59. The reduction this year results from a drop in the feed grain output that more than offsets the increase in carryover and prospective increases in wheat feeding and byproduct supplies.

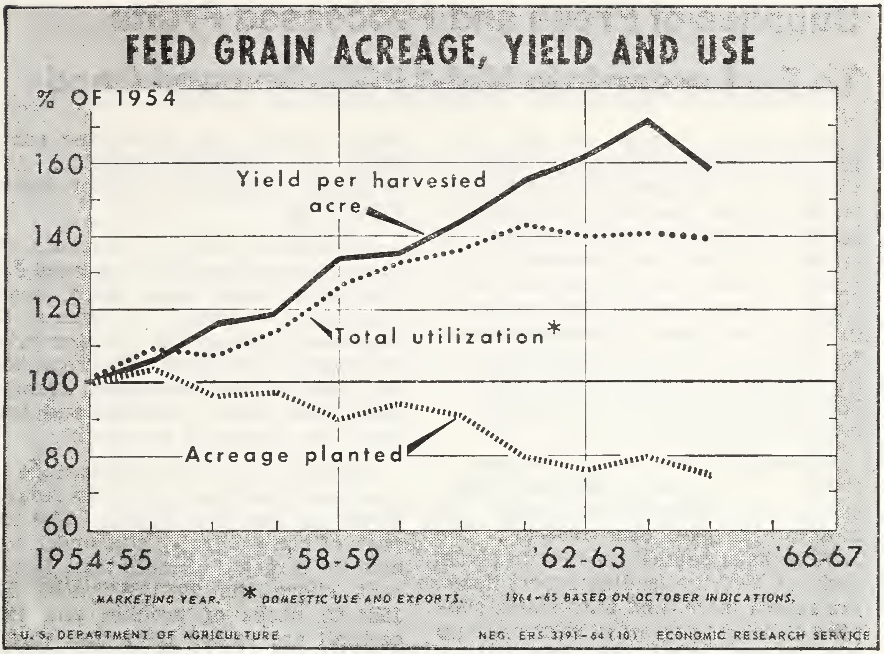
Consumption of feed concentrates increased 28 percent from 1956–57 to 1961–62 largely because of an increase in the quantity fed per animal unit. The rate of feeding dropped from 0.90 ton per animal unit in 1961–62 to 0.88 in the past 2 years. The number of grain-consuming livestock on farms in 1964–65 is expected to total 167 million units, down 3 million from last season. If the feeding rate per animal unit continues near the 1963–64 level, the amount fed to livestock would be about 148 million tons, or 3 million less than in 1963–64.

The 1964–65 corn supply is estimated at about 5,052 million bushels—7 percent below a year earlier. This 1964 corn crop was estimated at 3,541 million bushels on November 1—13 percent below the 1963 record. Part of this reduction was offset by an increase in the October 1 carryover to 1,510 million bushels, 164 million above a year earlier. Corn under loan and owned by CCC on October 1 totaled about 1,300 million bushels, slightly more than a year earlier. "Free" stocks were estimated at about 200 million, more than double a year earlier.

Disappearance of corn in 1964–65 probably will be a little below the 3,919 million bushels of the previous season. The decline during the past 2 years resulted in part from rising corn prices in relation to prices of other feed grains and also in relation to prices of livestock and livestock products.

The sorghum grain supply for 1964–65 is expected to total 1,132 million bushels, 9 percent less than during the previous season but 3 percent above average. The carryover of sorghum grain on October 1 totaled 649 million bushels, slightly less than a year earlier.

Utilization of sorghum grain increased to 589 million bushels in 1963–64, 73 million more than in 1962–63 and more than 100 million above the 1958–62 average. This rise was the result of a further increase in the quantity fed to livestock, which has been trending upward. Though exports again topped 100 million bushels, they were a little below the record movement in 1962–63.



Continuing the general decline that has been underway for a number of years, the oat supply for 1964–65 totaled 1,214 million bushels, 4 percent less than last season. This decline in oat production has been accompanied by smaller quantities fed to livestock, which in 1963–64 was 17 percent below the 1958–62 average.

The barley supply for 1964–65 is estimated at 536 million bushels, 4 percent less than a year earlier and 12 percent below average. In 1964–65 the quantity fed to livestock and total exports may fall a little below the level of recent years. Carryover next July 1 may also drop a little.

Influenced by lower wheat prices, wheat feeding in 1964–65 is expected to be the heaviest in recent years. During the October–September feeding year the quantity fed may reach 100 million bushels for the first time since 1952–53. Changes in the 1965 Wheat Program, permitting substitution between wheat and feed grain acreage, probably will result in a further increase in wheat feeding next year. More wheat is expected to be available for feeding because of the increase in wheat production in areas where wheat can be profitably substituted for feed grains.

Feed grain prices in 1964–65 probably will average a little above a year earlier, continuing the general upward movement of the past 3 years. Factors expected to give strength to prices in 1964–65 are the higher loan rates for corn, grain sorghum, and barley and smaller feed grain production.

Corn prices in 1964–65 are expected to average a little above the 1963–64 level. The increase in the loan rate on corn from $1.07 in 1963, to $1.10 in 1964, and the much smaller crop, will strengthen corn prices.

Sorghum grain prices are running higher than last year as a result of the higher 1964 loan rate and the smaller crop. Prices in November averaged $1.88 per 100 pounds, 15 cents higher than last year.

The average price received by farmers was 62.5 cents per bushel for oats in November, down nearly a cent from a year earlier. The mid-November price of barley was 96.1 cents per bushel, 2.5 cents higher than last year.

Malcolm Clough
Economic Research Service

Supplies of Fresh and Processed Fruits To Be Larger Into Mid-1965, Demand Good

Prospective supplies of fresh and processed fruits for the rest of 1964 and the first half of 1965 are substantially larger than in this part of the 1963–64 season. Indications point to sharp increases in fresh and processed citrus, small to moderate gains in most other classes of fruit, but to some reduction in edible tree nuts. Consumer demand for fresh and processed fruits and nuts in 1965 may be even better than in 1964 because of rising incomes and increasing population.

Moderately increased U.S. exports of fruits are expected in 1964–65. Processed fruits probably will account for most of the gain over 1963–64. The 1964 packs of canned peaches and fruit cocktail, 2 of the leading export items, are record large, and marketable supplies of dried prunes and raisins are up significantly. Tree nuts exports also may be up, mainly because of the larger 1964 almond crop. Fresh fruit exports may closely approximate the 1963–64 volume.

Prospective 1964–65 citrus production is up sharply from 1963–64, mainly because of rapid recovery of Florida and Texas citrus trees from the freezes of recent years. Oranges and grapefruit will account for most of the increase. Even so, total 1964–65 citrus production will be substantially below the peak reached before the 1962–63 freezes.

Sharply increased output of principal processed citrus items is expected in 1964–65. In early November, Florida packers' stocks of frozen orange concentrate and various other processed items were much below a year earlier. The 1963–64 Florida pack of frozen orange concentrate was about 53.7 million gallons, only 4 percent above the relatively light 1962-63 pack.

Total production of deciduous and other noncitrus fruits is expected to trend slowly upward over the next few years, mainly because of increased bearing acreage, improved varieties, and better cultural methods. But production in 1965 may not equal the record 1964 crop, for which weather and other growing and harvesting conditions were generally favorable. As a principal exception, peach production may be up.

Both fresh market shipments and processors usage of the increased 1964 deciduous crops have been heavy. Processing accounted for much of the increase in production. Grower prices for some of the larger 1964 crops, both for fresh use and processing, averaged below 1963 levels. Peaches and apricots were important exceptions.

Substantially increased output of processed deciduous fruits has resulted from the larger 1964 crop. The new pack of canned fruits, still under way, may set a record of more than 15 percent above the 1963–64 pack. The 1964–65 packs of peaches and fruit cocktail are record large and various other items are up sharply.

Output of frozen deciduous fruits and berries also is expected to be up considerably. The pack of red tart cherries is more than twice the light 1963 pack and somewhat above the previous record in 1961. The pack of frozen strawberries is up substantially.

Dried prune production is up about a fourth and supplies of marketable raisins may be larger than in 1963–64, when supplies suitable for food use were curtailed by rain damage.

Total production of the four edible tree nuts (almonds, filberts, pecans, and walnuts) probably will be somewhat larger in 1965 than in 1964 if the weather is average. The increase would be in pecans, of which production was down sharply in 1964, mainly because of unfavorable weather and the fact that trees produced a record crop in 1963. Production of almonds, filberts, and walnuts was up in 1964. But the 1964 total of the four nuts was a third below the 1963 record and slightly above average. Prices in 1964–65 are expected to be up for pecans and largely unchanged for other tree nuts.

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THE VEGETABLE SITUATION— STRONG DEMAND INTO 1965

Export demand for fresh vegetables likely will continue strong into 1965, with Canada expected to increase its use of fresh vegetables from the United States. On the import side, increased plantings in Mexico will make greater supplies of vegetables and melons available to the United States during the winter and spring. As usual, however, the volume actually exported to the United States will depend on prices in the United States for fresh vegetables.

For the more important fresh items, production of tomatoes for late fall harvest is substantially above last year. Larger supplies also are indicated for fall celery, brussels sprouts, and green peppers. But output of all other items is down.

Supplies of onions for marketing during the fall and winter are sharply below last year's heavy supply and a little below average. So far, prices for fall vegetables have been moderately above the high levels of a year earlier and continued strong markets are likely.

Overall supplies of canned vegetables are down moderately because of a smaller carryover in mid-1964 and a smaller 1964 pack. Processing tonnage this year was a little larger than in 1963. A much larger tonnage of tomatoes accounted for most of the increase; contract cabbage tonnage was up slightly. However, production of all other commodities was smaller.

Among major canned items, supplies of tomatoes, tomato products, and asparagus are at least as large as last season, and supplies of spinach are heavier. But there are slightly to moderately fewer canned snap beans, cucumber pickles, and kraut. Supplies of lima beans and green peas are light.

Total frozen supplies are moderately smaller than last season; both carryover and pack were down. Sharp reductions in supplies of frozen lima beans and sweet corn account for most of the decline; holdings of green peas are moderately smaller. However, supplies of most other items are at least as large as a year earlier.

Prices for frozen vegtables so far have been the same to a little higher than in 1963. For the 1964–65 season as a whole, prices for both canned and frozen vegetables probably will average slightly above last season.

Potato supplies for fall and winter markets are relatively light. Although growers planted more acreage, production of fall crop potatoes was off a tenth from last year, because of low yields in most areas.

Potato supplies have been below trade needs since last spring, resulting in unusually strong markets. Prices to growers have been the highest in more than a decade, and strong markets are likely through the winter.

Supplies of dry beans are materially smaller than last season. Carryover stocks at the start of the current season were larger than a year earlier. Because of lower yields, however, production is down considerably. Supplies of both white and colored beans probably are smaller than a year ago, with substantial reductions in all important classes.

Domestic use of dry beans probably will be about the same as last year. But despite a continued strong European demand for U.S. beans, exports likely will be down from the high level of last season because of the smaller supply.

Demand for dry beans has been strong with prices running substantially higher than a year earlier. Grower prices for the season probably will average at least moderately above those of last season.

Dry pea supplies are about the same as a year ago. Because of a weaker foreign demand, prices have been relatively low. Unless export demand improves, farm prices probably will average lower than last season.

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1965 LIVESTOCK AND MEAT . . .

Beef Production Expected To Increase

Beef production in 1965 will probably be up 2 to 3 percent from this year's figures. The number of cattle slaughtered will also increase but the animals will be lighter than in the early part of 1964.

The 1964 figures show commercial beef production was up 12 percent during the first 10 months of the year compared with the same months of the previous year. All classes of cattle showed significant increases in slaughter.

The average amount of beef per animal slaughtered varies from year to year and within a year and significantly affects total beef production. Last year and in the early months of 1964 live weights were at record levels and added to price difficulties for cattlemen. Since spring, however, lighter weights have helped soften the price consequences of the larger number of cattle coming to market.

Price differentials between grades widened when market weights declined. In the first quarter when weights were heavy, Prime steers averaged only 70 cents per 100 pounds above Choice steers (all weights, Chicago) and only $1.60 above Good. But in the third quarter, as markets strengthened, Prime steers were $1.20 and $2.90 above Choice and Good. The differential between Choice and Good steers also widened—from about 90 cents in the first quarter to $1.70 in the third.

Fed cattle prices in September (Choice steers, Chicago) were about $6 per 100 pounds above the May low of $20.50. Prices declined slightly in October and averaged $25.

Marketings of fed cattle are expected to continue large into the winter months. Despite the prospect of continued large supplies of fed cattle, prices are expected to hold fairly steady into the winter months, averaging near October levels.

Demand for beef is strong and there is less competition from smaller supplies of pork. However, continued heavy runs of slaughter cows, larger marketings of other cattle off grass, and heavy poultry meat production will likely prevent substantial price strengthening.

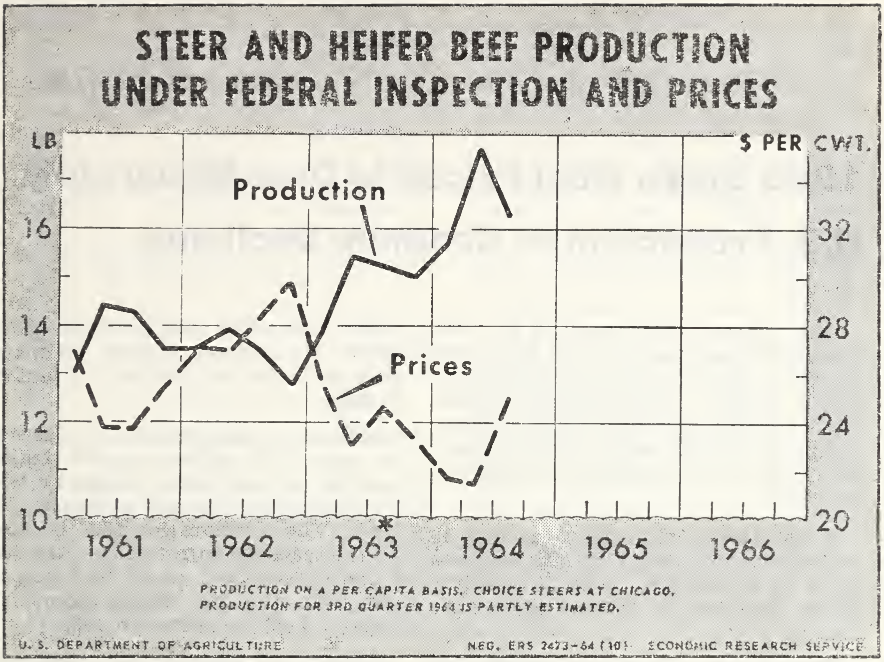
Marketings of fed cattle in the first half of 1965 will depend largely on the number and the weight of cattle placed on feed this fall and winter. The present price relationship between fed cattle and feeder cattle likely is encouraging placements during the fourth quarter.

Placements in October–December last year were down 6 percent from the same months a year earlier. However, many feeder cattle that moved into the Corn Belt last fall were placed on feed after the beginning of 1964. Placements were up 22 percent in the first quarter of 1964 from the year before. Should there be another open fall this year, many feeder cattle likely would again remain on fields until after the end of the year.

Feeder cattle prices have been under heavy pressure most of this year. Prices will be under continued pressure through the rest of the year and early 1965, because there is a plentiful supply of cattle available for feeding. Also, wheat pastures have been slow to develop this year.

Cow slaughter in 1964 is larger than in any year since 1957—the last year of the downswing of the previous number cycle. Cow slaughter in the early part of 1965 is expected to be up moderately from 1964 levels. Barring serious drought, slaughter in the second half of the year probably will be down from the high level in the second half of 1964. However the actual level will be influenced by demand for and expected prices of feeder cattle.

Commercial hog slaughter this year is expected to be down about 1 percent from the 1963 figure. Producers in 10 Corn Belt States reported intentions on September 1 to have 13 percent fewer sows farrow during December 1964–February 1965 than in these months a year earlier. If these intentions are carried out, hog slaughter during the



summer of 1965 will be substantially below last summer.

The hog-corn price ratio probably will increase this fall and winter so that producers might cut late-season farrowings much less than indicated for December–February. Hog prices likely will be above year-earlier levels, more than enough to offset the prospective increase in corn prices. However, higher corn prices will tend to prevent any substantial expansion in pig production during the winter months.

Hog prices in the opening months of 1965 likely will average moderately higher than in these months of 1964, when barrows and gilts averaged $14.63 at eight major markets. Also, prices are not expected to dip as low next spring as they did in the same period of 1964.

Beef gave pork strong competition this year and it probably will be just as strong a competitor next year. Thus, the expected decline in production will be partially offset by an increase in beef and veal production. Poultry meat output probably will not be much different from this year.

So far this year commercial sheep and lamb slaughter has been smaller each month than a year earlier, except in June. Slaughter during the rest of the year is expected to continue down from 1963 levels by 10 to 15 percent. In this event, the sheep and lamb inventory on January 1, 1965, would be down to about 27 million head from the 28.3 million a year earlier.

Although 1964 lamb prices have been higher than in several years, they likely have not been up enough to encourage producers to retain ewe lambs in unusual numbers for additions to breeding herds. Before this situation will develop, producers will have to regard the longterm outlook for lambs and wool more favorably. In recent years there has been a shift to other enterprises.

Sheep and lamb slaughter in 1965 is expected to be down from 1964 whether or not rebuilding of breeding herds begins during the year. If rebuilding does begin, slaughter supplies will be substantially reduced. Prices in 1965 are expected to continue above year-earlier levels.

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1965 Shorn Wool Prices to Drop Moderately

U.S. Production to Continue Declining

The average price received by producers for shorn wool in 1965 likely will be moderately less than the price received in 1964. This expected decline will be caused by larger world supplies during early 1965 and a slightly lower use of wool in the major manufacturing countries.

Sales activity of domestic wools will be limited until the 1965 clip is marketed in the spring. A small quantity of the 1964 clip is still in producers' hands.

The shorn wool incentive level for the 1965 marketing year remains at 62 cents per pound, grease basis. This level has been in effect since the beginning of the National Wool Act Incentive Payment Program in 1955. The 1965 mohair support price is continued at 72 cents per pound, the same as in 1964 but 4 cents less than in 1963. Provisions of the 1965 wool and mohair programs remain the same as for 1964. Current legislation provides for wool incentive payments and mohair support programs through March 31, 1966.

U.S. wool production probably will continue to decline in 1965 because of an expected further drop in sheep numbers. The January 1, 1965, inventory of sheep and lambs likely will be near 27 million head compared with 28.2 million on January 1, 1964.

This expected drop in number of sheep will result in shorn wool production of about 215 million pounds, grease basis, compared with an estimated 224 million pounds in 1964. This would be about 20 percent less than the recent peak in 1960 and the lowest since 1950. The clean wool equivalent of the 1965 production of shorn and pulled wool probably will be about 118 million pounds compared with an expected total of 122 million in 1964.

Mill use of apparel wool in 1965 may be about 245 million to 250 million pounds, scoured basis, compared with the 230 million pounds anticipated in 1964. The estimate for 1964 is based on the seasonal adjustment of the first 9 months' use and would be 8 percent less than the 251 million pounds of apparel wool consumed in 1963.

Imports of dutiable raw wool during 1965 are expected to total 115–120 million pounds, clean content, up from the estimated 90–95 million pounds in 1964 and slightly higher than the 109 million imported in 1963.

Imports during 1965 are expected to be up because of an anticipated increase in mill use of apparel wool and a further decline in U.S. production.

Output of finished woven fabrics is expected to increase moderately in 1965 because mill use of wool and demand for wool products will probably increase in 1965.

Mill use of carpet wool will likely increase to 140–150 million pounds, scoured basis, in 1965, up from the 120 million pounds expected in 1964.

Imports of duty-free raw wool during 1965 is expected to total 145–155 million pounds, clean content. This will be an increase from the 115–120 million pounds expected in 1964 but less than in 1963. The expected increase in 1965 is because of the anticipated increase in carpet wool mill use.

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OUTLOOK FOR COTTON—

LARGER CROP, USE, AND CARRYOVER

The cotton outlook for 1965 is highlighted by another large crop, rising mill use, and a further buildup of cotton stocks. Carryover will increase for the fourth consecutive year and might be the largest total since the alltime high of 14.5 million bales in 1956. The U.S. carryover of all kinds of cotton is expected to total 13 million bales on August 1, 1965, an increase of 0.6 million from a year earlier. Of this carryover, 12.7 million will be upland cotton.

The 1964 crop of 15.4 million running bales is slightly larger than last year's crop and the largest since 1953. It is expected to be large enough to more than offset expected high disappearance during the 1964–65 crop year. The large 1964 crop, as in the previous year, reflects record yields resulting from improved cultural practices and generally favorable growing conditions in most major producing areas. Mill use of cotton this year is increasing sharply and is expected to be at the highest level since 1950–51. Although exports may decline from last year's level, they are expected to remain above the 5-million-bale level.

In view of the prospective supply-demand situation, the national acreage allotment for the 1965 crop of upland cotton has again been set at the statutory minimum of 16 million acres.

The level of price support for the 1965 crop—between 65 and 90 percent of parity—will be determined by the Secretary of Agriculture. Farmers who plant only their domestic allotment in 1965 will be eligible to receive a basic price support through loans plus an additional payment not to exceed 15 percent of the basic price support. As for 1964, most farmers with 1965 allotments of 15 acres or less will not be required to reduce their plantings to be eligible for the additional price support.

U.S. exports of upland cotton in 1964–65 are expected to total about 5.2 million bales, down from 5.7 million during the previous year, but slightly higher than the average for the past 4 years. During the past year, large U.S. exports were related to record consumption of cotton in foreign free world countries and rebuilding of stocks in importing countries. While record consumption is expected abroad again this year, foreign free world production is expected to set another record high and stocks probably will change little.

U.S. exports of cotton textiles during January–August 1964, on a raw cotton equivalent basis, were about 9 percent above a year earlier. However, exports probably will trend downward until the end of 1964 because net costs of cotton goods to exporters have risen. This rise resulted because the equalization program for cotton textile exports was eliminated in August 1964 and because cotton textile prices in the domestic market have been firm during recent months.

Imports of textiles in 1964 have been running about 8 percent below 1963. They probably will continue below a year earlier because of a slight improvement in the competitive price position of domestically produced textiles in U.S. markets.

In recent months, farm prices for cotton have been trending downward to reflect the 2.5-cent reduction in the support price. As provided for in legislation, the basic support price for 1964-crop Middling 1-inch cotton, at average location, is 30.0 cents per pound, down from 32.47 cents in 1963.

Little change is expected in large stocks of extra-long staple cotton during the 1964–65 crop year. The 1964 crop of American-Egyptian cotton plus imports is expected to about equal the combined total of mill consumption, exports of American-Egyptian cotton, and sales of foreign-grown stockpile cotton. The national acreage allotment for the 1965 crop of extra-long staple cotton has been set at 77,758 acres, down from 112,500 acres for the 1964 crop.

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FATS AND OILS SITUATION; 1964-65 SUPPLY TO BE DOWN

The U.S. supply of edible fats, oils, and oilseeds during the 1964–65 marketing year is forecast at 16.4 billion pounds (in terms of oil), about 4 percent less than the record quantity last season. The decline is the result of a sharp drop of 700 million pounds or one-third in carryover stock of butter and edible vegetable oils.

Domestic consumption of edible fats and oils in 1964–65 probably will rise about in line with population growth. Domestic disappearance in the latter part of the 1963–64 marketing year and the early part of 1964–65 may exceed consumption, probably as a result of an increase in stocks in unreported position associated with the continued rise in edible oil prices. Based on Census-reported data, about 6.4 billion pounds of food fats would be available for export and carryout stocks in 1964–65, compared with 7 billion a year earlier.

Exports of food fats (including the oil equivalent of soybeans) through September 1965 are forecast at 5.2 billion pounds, up slightly from 1963–64, as increased shipments of edible vegetable oils and soybeans more than offset declines in butter and lard. Such an export volume would account for about one-third of the 1964–65 U.S. output of these commodities.

Here are the main factors in the export outlook for 1964–65:

- Europe will probably keep buying more U.S. soybeans because meal demand is expanding and oil prices are higher this year than last. Therefore meal prices are relatively lower.

- Spain is again buying U.S. soybean oil for dollars; olive oil production is down sharply in the Mediterranean Basin countries.

- Shipments of edible oils (cottonseed and soybean) under the Food for Peace program (all titles of P.L. 480) are expected to expand sharply to over a billion pounds, a third more than in 1963–64.

- Steadily rising world demand for vegetable oilseeds and products is likely to exceed the slight rise in production. World stocks, particularly olive and soybean oils, are expected to be lowered. Vegetable oil prices will be higher than a year ago.

Wholesale prices for U.S. fats and oils have advanced during the 1964 crop season, mainly as a result of lower soybean crop prospects. Also, price levels have been affected by reduced oil inventories this fall because of greater domestic disappearance and stronger export demand. With prospective 1964–65 supplies of food fats below last year and domestic and export needs higher, prices will likely continue strong throughout the 1964–65 marketing year.

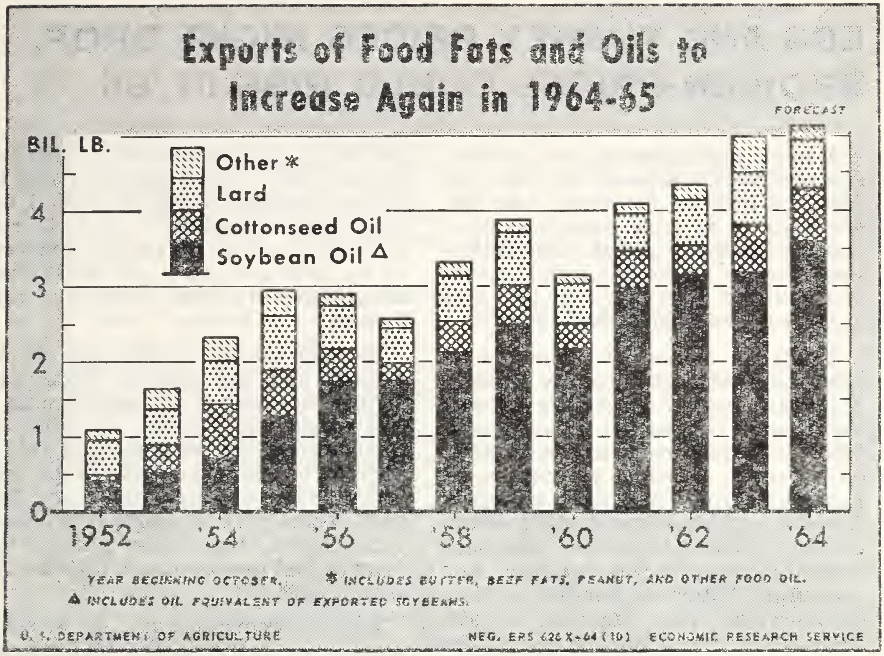
Total exports of edible vegetable oils during the 1964–65 marketing year are forecast at a record high of 2 billion pounds. Last year 1.7 billion pounds were exported. Soybean oil probably will make up two-thirds of the total exports.

Here is the outlook for individual commodities.

Soybean supplies in the 1964–65 marketing year are placed at 734 million bushels compared with 717 million last year. Larger starting stocks on October 1, 1964, were double a year earlier. The November 1 estimate of the 1964 soybean crop was 702 million bushels compared with last year's crop of 701 million bushels.

Soybean crushings are forecast at about 470 million bushels compared with 441 million in 1963–64. With expected exports of around 200 million bushels and allowing for seed, feed, and waste, carryout stocks of old-crop soybeans on September 30, 1964, will be at a minimum level of about 15 million bushels. Carryover was 32 million bushels this year and 15 million in 1963.

Prices to farmers for soybeans likely will be strong during the 1964–65 marketing year because of nearly balanced supply and demand. The U.S. season average price received by farmers for 1964-crop soybeans is forecast at $2.55



per bushel, about the same as last year. But prices are likely to fluctuate more than last year, conforming more closely to the usual seasonal pattern.

Crusher demand will be greater this marketing year because of one-third smaller soybean oil stocks on October 1, 1964, than a year earlier, larger exports of soybean oil, and sharply higher prices for soybean oil. Soybean meal exports are expected to increase and domestic use is likely to rise slightly as meal prices average a little below last year. Processors' margins are expected to improve.

The 1964–65 supply of soybean oil is forecast at 5.7 billion pounds—nearly the same as a year ago. With forecast domestic disappearance of 4 billion pounds and exports of 1.3 billion pounds, carryover stocks on September 30, 1965, are expected to be about 0.4 billion pounds, the smallest since 1960.

Soybean oil price (crude, Decatur) during the 1964–65 marketing season may average 2 to 3 cents higher than the 8.5 cents last year. Soybean meal prices (44 percent protein, bulk, Decatur) are expected to average a little below the relatively high level of $71 during the past 2 marketing years.

Cottonseed production in the 1964–65 marketing year is estimated at 6,372,000 tons, slightly above last year. Prices to farmers for 1964-crop cottonseed are averaging about $46 per ton, $5 below last year and near the CCC purchase price of $44 per ton, basis grade (100). Prices are expected to increase some in the latter part of the marketing period, because of higher product prices.

The cottonseed oil supply is placed at 2.6 billion pounds, 5 percent above a year ago. Domestic use and exports are expected to be above last year. Prices of cottonseed oil (crude, tanks, Valley) probably will average 1 to 2 cents per pound higher than the 10 cents in 1963–64.

Cottonseed meal prices in 1964–65 are likely to average slightly below last year.

The total flaxseed supply for the 1964–65 marketing year is placed at 40 million bushels, equal to that of 1963–64. Production is down this year, but is offset by greater carryover stocks.

George W. Kromer
Economic Research Service

EGG AND TURKEY PRICES MIGHT DROP, BROILER PRICES COULD RISE IN '65

A larger production of eggs, broilers, and turkeys is in prospect for 1965. For eggs and turkeys, increases from 1964 are likely to be large enough to bring about a decline in prices. The expansion in broiler production, however, may be small and farm prices in 1965 may average a little higher than in 1964.

The larger number of layers and replacement chickens currently on hand practically assures larger egg production than a year earlier through mid-1965. The number of potential layers on November 1 totaled 364 million, up 1 percent from this date last year. Hatchings of egg-type chicks in July–October totaled 115 million, compared with 105 million a year earlier. And eggs in incubators on November 1 were up 7 percent from that date in 1963. Increases in production the rest of 1964 probably will come mostly from a higher rate of lay; but in first half of 1965, the expected production rise will occur because of more layers than a year earlier.

Second half 1965 egg production will depend increasingly on the number of replacement chickens started in the first half. This number is expected to be larger than in 1964. Egg prices into early 1965 likely will be a little under a year earlier but not so low as to discourage further growth in large commercial operations. And, the decline in small farm flocks is not likely to be fully offsetting. This would mean that the size of the Nation's laying flock next year probably will climb relative to 1964. In addition, most of the expected uptrend in the rate of lay in 1965 will probably occur after midyear. This year most of it occurred in the first quarter. Thus, egg production in 1965 may be up from 1964 by a significantly wider margin the second half than the first half.

If this outlook materializes, the seasonal rise in egg prices next year would be less than usual. Prices in the second half may be significantly lower than in 1964's second half. The increase in egg production in 1965 may be great enough to interrupt the downtrend in per capita egg consumption which began in 1952. Over a period as long as a year, consumers tend to use all the eggs that are produced. A decline of only about one egg per person is expected for 1964 compared with an average annual drop of six eggs in the preceding 3 years.

Broilers are the bright spot in the poultry and egg outlook next year. Output is expected to register only a small increase in 1965. In addition, competition from red meat next year is likely to be less severe than in the previous 2 years—particularly in the first half, when pork production probably will be lower. Live broiler prices at the farm in 1965 may average a little higher than in 1964.

Broiler production will be above a year earlier at the start of 1965 because of recently increased hatchery activity. However, the industry may be able to avoid undue expansion in output in most of the next year's first half. During this period, the number of layers producing broiler hatching eggs will be smaller than last year. Maintaining output at a high level under such conditions would keep hatching egg and chick prices high and tend to lower chick quality. This, in turn, would lead to higher costs of producing broilers. In addition, low broiler prices in the fourth quarter this year will tend to discourage expansion in broiler output early next year. Hence, broiler prices in January–June may be higher than a year earlier.

In the second half of 1965, the situation is likely to become less favorable for producers. Hatchery supply flocks will be rebuilding and this together with the favorable first half prices would tend to encourage greater expansion in production. Competition from turkey may also be greater after mid-1965. Thus, broiler prices in 1965 are likely to be lower in July–December than in January–June.

Turkey producers in 1965 are likely to raise more birds than the 98.7 million total expected for this year. The

increase in output is likely to occur despite lower prices in 1964. Prices at the farm this year probably will average about 21 cents per pound, compared with 22.3 cents in 1963. This year's price is significantly higher than the post-World War II low of 18.9 cents in 1961 which led to a sharp cut in turkey production the following year. In addition, the turkey industry has been continuously increasing its production efficiency.

In October, owners of breeder flocks in 15 States reported plans to keep 4 percent more turkey breeder hens at the beginning of the 1965 hatching season than in 1964. Actual change in breeder hens probably will correspond closely to these intentions as they have in recent years. If so, the breeder flock would be large enough to support a sizeable increase in turkey production in 1965.

Prices to producers for turkeys in early 1965 are expected to average about the same or a little higher than in early 1964 because of a further increase in demand. Demand is expected to be strengthened by a larger population and reduced competition from red meats. Turkey supplies during this period are not likely to differ much from a year earlier. Larger production may not quite offset a smaller carryover of turkeys from the 1964 crop. However, if turkey producers in 1965 raise as many as 5 percent more birds, as appears likely, U.S. farm turkey prices for all of next year probably will average below the 21 cents per pound in prospect for 1964.

Herman Bluestone
Economic Research Service

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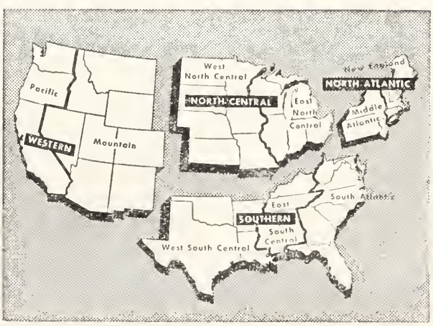

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